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August 11, 2000

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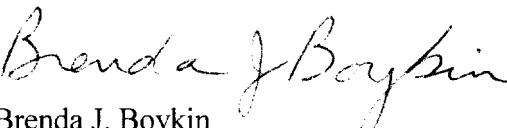
Magalie Roman Salas, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Ex Parte Submission: CC Docket Nos. 96-98, 99-68

Dear Ms. Salas:

Pursuant to Section 1.1206(b) of the Commission's Rules, Global NAPs, Inc. submits four copies of the attached letter for inclusion in the public record of the above-referenced proceedings. Thank you for your assistance, and please call me if you have any questions about this submission.

Sincerely,


Brenda J. Boykin

Attachment

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August 10, 2000

Magalie Roman Salas, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, D.C. 20554

Re: Additional Information for the Record, CC Docket Nos. 96-98, 99-68

Dear Ms. Salas:

The purpose of this letter is to provide some additional information for the record in this matter. It is being submitted on behalf of Global NAPs, Inc.

One of the ILECs' claims is that a requirement of reciprocal compensation for ISP-bound calls will suppress competition for residence customers because of the high volume of ISP-bound traffic those customers generate. A related claim is that requiring originating LECs, usually ILECs, to pay reciprocal compensation for this traffic unfairly increases their costs, amounting to a subsidy from non-Internet users to Internet users. *See, e.g.,* Comments of Verizon Communications. Attached Declaration of William Taylor, *passim*.

Recent information suggests that these claims are false. The current issue of BUSINESS 2.0 magazine provides statistics from Nielsen/Netratings for the week ending May 21, 2000:¹

Time spent per week	2:54:31
Duration of surfing session	30:04
Active Internet Users	60,157,438
Total Internet Users	134,701,880

There are several salient points embedded in this information. First, note that the total number of internet users is well over 100 million people. Even making a reasonable allowance for the fact that a single household may contain several users, it seems quite clear that if a majority of

¹ J. Nelson, *Internet at a Glance*, BUSINESS 2.0 August 22, 2000 at 257.

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American households are not yet “on-line,” that point will be passed in the very near future.² The notion — inherent in the ILECs’ position — that consumers who access the Internet are a peculiar minority, with peculiarly intense telecommunications usage, may have had some validity in 1996 or even 1998, but it has simply become an obsolete idea by 2000 and certainly by 2001.³ In this regard, while issues surrounding the so-called “digital divide” remain important, it seems clear that the set of “Internet users” and the set of “telephone households” is well on the way to convergence.⁴ In these circumstances, it makes less and less sense to try to carve out a separate “class” of Internet users that is supposedly being “subsidized” by non-users. In due course, if not already, it is the non-users who will be the minority, who for some reason do not make full use of the capabilities of their telephone service — including the ability to access the Internet.⁵

Perhaps more directly relevant to the ILECs’ claims, however, is the relatively low level of weekly Internet usage. The average user is online for 174.5 minutes per week. Normalizing that usage to a monthly figure yields monthly on-line time of only 758 minutes, or about 12-13 hours.⁶ Assuming a per-minute cost of handling that traffic of \$0.004 per minute, this translates to \$3.03 in usage costs per month. This hardly seems to be a usage figure that would make it unreasonably expensive to customers who indeed generate such usage.⁷ Indeed, this is more than made up for, in the case of second lines, by the 1997 increase in the subscriber line charge.

² According to the most recently available statistics from the Commission, there are roughly 99.2 million households with telephones in the United States. *See* Statistics of Common Carriers, Table 8.1, Telephone Penetration in the United States (rel. Dec. 3, 1999).

³ To this same effect, today’s WASHINGTON POST reports that the most recent available data show that women now constitute a slight majority of Internet users, roughly in line with their slight majority status in the population as a whole. *See* A. Klein & C. Johnson, “Women Surf Past Men on Net,” THE WASHINGTON POST, August 10, 2000, page A1. This same story is available on-line at the Post’s web site. *See* <http://washingtonpost.com/wp-dyn/articles/A137-2000Aug9.html>.

⁴ The large spread between “Total Internet Users” and “Active Internet Users” is also instructive. Some portion of the inactive Internet users who make up the difference have no doubt purchased second lines for their fax machines and modems, but are making relatively light use of those lines.

⁵ To the extent that this lack of use of the Internet arises from economic or cultural barriers, such as lack of a computer or computer skills, this is a social problem to be corrected — as concern about the “digital divide” shows. In other words, to the extent that the nation is successful at bridging the digital divide, there will be ever-greater synchrony between “telephone users” and “Internet users,” and ever-decreasing validity to the ILECs’ efforts to paint Internet users as circuit-switched bandwidth hogs distorting the use of the PSTN.

⁶ The calculation is as follows: 174.5 minutes/week divided by 7 days/week yields 25 minutes/day. 25 minutes/day times 365 days/year yields 9099 minutes/year. 9099 minutes/year divided by 12 months/year yields 758 minutes/month. 758 minutes/month divided by 60 minutes/hour yields 12.6 hours/month.

⁷ The \$0.004 per minute figure is not unreasonably low as a measure of the ILEC’s costs. For example, Global NAPs recently entered into a settlement on this issue with Verizon in New Hampshire, with an agreed compensation rate of \$0.00209 per month for ISP-bound calls; the figure was derived from a weighting of Verizon’s own urban end office rates for New Hampshire. Since marginal fiber interoffice

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For purposes of assessing alternatives for compensation for ISP-bound calling, what all this means is that the class of Internet users is looking more and more like the class of all telephone subscribers; and the costs of their Internet usage, while not totally *de minimis*, are clearly not so outlandish as to make such customers unattractive to competitors who can overcome the other ILEC-inspired barriers to entry into the residence market.⁸ Internet users and Internet-related telephone usage are just like plain old telephone users and plain old telephone usage. There is therefore no sound economic

Sincerely,

A handwritten signature in black ink, consisting of a large, stylized 'C' followed by a long, horizontal, slightly wavy line extending to the right.

Christopher W. Savage

transport costs are negligible, and since New Hampshire is not likely to be a low-cost state, a \$0.004 figure is clearly not unreasonable to reflect originating and terminating switching, and reasonable transport costs.

⁸ See Reply Comments of Global NAPs at 9-12 (identifying other barriers to entry, such as small wholesale discounts eroding resale margins, collocation delays, and lack of portable universal service subsidies at the state level).